

4.4 Purchase Price Calculation

4.4.1 Closing Statement. No later than 45 days after the later of (i) the IMA Date and (ii) the date that is the later of the Bar Date for claims under the CCAA Proceedings and the Bar Date for claims under the US Bankruptcy Proceedings, Buyer will prepare and deliver to the Key Sellers (a) a Bring Down Financial Statement as of the IMA Date (the *"IMA Date Financial Statement"*) and (b) a statement setting forth Buyer's calculation of Net Current Assets and Adjusted Net Current Assets as of the IMA Date (the *"Closing Statement"*). The Key Sellers will have 45 calendar days following the Key Sellers' receipt of the IMA Date Financial Statement and the Closing Statement to review the IMA Date Financial Statement and the Closing Statement. During such 45 day period (the *"Dispute Notice Period"*), Telelobe may deliver a notice (a *"Dispute Notice"*) to Buyer in the event that the Key Sellers determine in good faith that the IMA Date Financial Statement or the Closing Statement was not prepared in accordance with this Agreement and, as a result, the Closing Statement misstates the Net Current Assets and Adjusted Net Current Assets. If Telelobe fails to deliver a Dispute Notice within the Dispute Notice Period, the Key Sellers will be deemed to have irrevocably waived their right to deliver a Dispute Notice. Any Dispute Notice must specify in reasonable detail those items or amounts as to which the Key Sellers disagree and the basis for their disagreement. The Key Sellers will be deemed to have agreed with all other items and amounts contained in the IMA Date Financial Statement and the Closing Statement to which no objection has been made. If Telelobe delivers a Dispute Notice within the Dispute Notice Period, the Key Sellers and Buyer will negotiate in good faith to agree upon the Net Current Assets and Adjusted Net Current Assets and, as a result, the adjustment to the Final Purchase Price described in Section 4.4.2 (a) and (b). If the Key Sellers and Buyer fail to agree to such matters within 30 calendar days (the *"Negotiation Period"*) after the Dispute Notice is delivered to Buyer, matters described in the Dispute Notice will be resolved by submission to KPMG LLP or, if it is unable or unwilling to serve, another independent accounting firm of national recognition reasonably acceptable to Telelobe and Buyer (the *"Accountants"*) for determination of Net Current Assets and Adjusted Net Current Assets as of the IMA Date. If items in dispute are submitted to the Accountants for resolution, (x) each party will furnish to the Accountants such work papers and other documents and information relating to the disputed issues as the Accountants may request and are available to that party (or its independent public accountants), and will be afforded the opportunity to present to the Accountants any material relating to the determination and to discuss the determination with the Accountants; (y) the determination by the Accountants, as set forth in a notice delivered to the Key Sellers and Buyer by the Accountants will be binding and conclusive on the Key Sellers and Buyer; and (z) the fees of the Accountants for such determination shall be allocated by the Accountant between Telelobe and Buyer as the Accountant may deem equitable based on the results of the claims and defenses. At the Closing, Buyer will deposit into escrow with the Escrow Agent an amount equal to the disputed portion of the adjustment to the Final Purchase Price. If any such disputed portion is held in escrow and not paid at the Closing, Buyer and the Key Sellers will cause the Escrow Agent to promptly, and in any event within three Business Days, following the date on which the Key Sellers and Buyer agree on the amount of the adjustment to the Final Purchase Price, or the date on which the determination of the Accountants, becomes final and binding, as the case may be, release to Buyer or Telelobe, as applicable, the portion of such adjustment that is deemed to be the property of Buyer or Sellers, respectively.

4.4.2 Adjustment. The Final Purchase Price (the "*Final Purchase Price*") will be equal to the Unadjusted Purchase Price:

- (a) increased by the amount, if any, equal to the excess of Adjusted Net Current Assets as of the IMA Date over the Target Net Current Assets;
- (b) decreased by the amount, if any, of the excess of Target Net Current Assets over Adjusted Net Current Assets as of the IMA Date;
- (c) increased by 50% of the Cure Savings;
- (d) increased by one half of any amounts paid (directly or through set-off in a consensual settlement agreement between Sellers and unaffiliated third parties) by Sellers after the date hereof and prior to the IMA Date in order to satisfy any Cure Costs (through settlement or rejection) prior to the IMA Date with the consent of Buyer (not to be unreasonably withheld);
- (e) increased by the amount of any postpetition Current Liabilities incurred after the IMA Date (including the UK Sellers, except to the extent the UK Sellers are indemnified pursuant to the Live Down Agreement) with respect to a Rejected Contract that was listed on the Contract Schedules, and which were incurred up to and including the date of such rejection; provided, that no adjustment shall be made under this clause (e) in respect of any such Contract to the extent Buyer paid such Current Liabilities as Business Expenses (as defined in the Interim Management Agreement and the UK Interim Management Agreement);
- (f) decreased by an amount equal to the Management Fees paid or payable pursuant to the Interim Management Agreement and the UK Interim Management Agreement (the "*Reduction Amount*"); and
- (g) decreased by the aggregate amount of severance benefits that would have been payable to any employees of the Sellers listed in Exhibit B of the Employee Letter that are not payable because such employees are hired by Buyer; provided, however, that such decrease will be made only to the extent that Sellers are not required to pay such severance benefits and Buyer's offer to hire any such employee is not effective until the scheduled date of termination of such employee by the applicable Seller.

Illustrative examples of the calculation of the Final Purchase Price are attached as Exhibit 4.4.2.

4.4.3 Cure Settlement.

4.4.3.1 Sellers, prior to the IMA Date with the consent of Buyer (not to be unreasonably withheld), and Buyer, from and after the IMA Date, may enter into agreements to settle any liability for Cure Costs with respect to any Cure Contract for less

than the Target Maximum Cure Amount allocated to such Cure Contract in the Cure Letter. Any such settlement agreement shall become a Contract, a Purchased Asset and, in the case of settlement agreements entered into prior to the IMA Date, to the extent included in Current Liabilities, an Assumed Liability. Sellers and Buyer shall (i) reasonably cooperate with each other in arranging and entering into such settlements and (ii) use their best efforts to keep confidential the allocation of the Target Maximum Cure Amount among the Cure Contracts.

4.4.3.2 Cure Savings Settlement Procedure. No less than 20 Business Days nor more than 25 Business Days prior to the Closing Date, Buyer will prepare and deliver to the Key Sellers a statement setting forth the Buyer's calculation of Cure Savings achieved after the date hereof and prior to that date (the "*Cure Savings Statement*"). The Key Sellers will have 10 Business Days following the delivery thereof to review the Cure Savings Statement. During such 10-Business Day period (the "*Cure Savings Notice Period*"), Telelobe may deliver a notice (a "*Cure Savings Dispute Notice*") to the Buyer in the event that Telelobe determines in good faith that the Cure Savings Statement was not prepared in accordance with this Agreement and, as a result, the Cure Savings Statement misstates the Cure Savings achieved prior to the date of the Cure Savings Statement. If Telelobe fails to deliver a Cure Savings Dispute Notice within the Cure Savings Notice Period, the Key Sellers will be deemed to have irrevocably waived their right to deliver a Cure Savings Dispute Notice. Any Cure Savings Dispute Notice must specify in reasonable detail those Cure Savings amounts as to which the Key Sellers disagree and the basis for their disagreement. The Key Sellers will be deemed to have agreed with all other items and amounts contained in the Cure Savings Statements to which no objection has been made. If Telelobe delivers a Cure Savings Dispute Notice within the Cure Savings Notice Period, the Key Sellers and Buyer will negotiate in good faith to agree upon the Cure Savings achieved prior to the date of the Cure Savings Statement and, as a result, the adjustment to the Final Purchase Price described in Section 4.4.2(c) (subject to adjustment pursuant to a substantially similar settlement procedure as this Section 4.4.3.2 with the Buyer delivering a proposed statement of adjustments through the Closing Date no later than 30 days after the Closing for Cure Savings achieved on or after the date of the Cure Savings Statement). If the Key Sellers and Buyer fail to agree to such matters within 5 Business Days (the "*Cure Savings Negotiation Period*") after the Cure Savings Dispute Notice is delivered to Buyer, the Cure Savings Dispute Notice will be resolved by submission to the Accountants in order to determine the amount of the Cure Savings (subject to adjustment for Cure Savings achieved on or after the date of the Cure Savings Statement). If items in dispute are submitted to the Accountants for resolution, (x) each party will furnish to the Accountants such work papers and other documents and information relating to the disputed Cure Savings as the Accountants may request and are available to that party (or its independent public accountants), and will be afforded the opportunity to present to the Accountants any material relating to the determination and to discuss the determination with the Accountants; (y) the determination by the Accountants, as set forth in a notice delivered to the Key Sellers and Buyer by the Accountants will be binding and conclusive on the Key Sellers and Buyer; and (z) the fees of the Accountants for such determination shall be allocated by the Accountant between Telelobe and Buyer as the Accountant

may deem equitable based on the results of the claims and defenses. At the Closing or upon delivery by Teleglobe of a Cure Savings Dispute Notice with respect to the statement of adjustments referred to in the seventh sentence of this Section 4.4.3.2, Buyer shall deposit into escrow an amount equal to 50% of the disputed portion of the Cure Savings. If any Cure Savings amount is held in escrow because it is subject to dispute pursuant to this Section 4.4.3.2, Escrow Agent shall promptly, and in any event within three Business Days, following the date on which the Key Sellers and Buyer agree to the amount of the Cure Savings or the date on which the determination of the Accountants under this Section 4.4.3.2, as applicable, becomes final and binding, as the case may be, release to Buyer or Teleglobe, as applicable, the portions of such Cure Savings that is deemed to be the property of Buyer or Sellers, respectively.

4.4.4 Rejected Contracts. The Purchased Assets, Assumed Liabilities and Contracts shall exclude each Contract that Buyer designates as, or that is deemed to be, a Rejected Contract pursuant to this Section 4.4.4. Within 60 days after the IMA Date, Buyer may designate any Material Contract to be a Rejected Contract and an Excluded Asset and within 90 days after the IMA Date, Buyer may designate any other Contract to be a Rejected Contract and an Excluded Asset (each such Material Contract or other Contract, a "Rejected Contract") to the extent that the relevant Seller can reject such Material Contract or other Contract pursuant to the Insolvency Proceedings (except in the case of any UK Seller where no such limitation shall apply). To effectuate the rejection of a Contract pursuant to the foregoing, Buyer may deliver a list of Contracts that will constitute the Contracts to be Purchased Assets assumed pursuant to this Agreement, and all other Contracts will be deemed rejected and each such Contract will be deemed to have been designated by Buyer as a Rejected Contract. From time to time Teleglobe may deliver to Buyer a list of Contracts (other than the Contracts listed on the Contract Schedules, except where such Contract is the subject of a motion by a counterparty to compel assumption or rejection of such Contract) with a request that Buyer determine whether to designate such Contract as a Rejected Contract. Within 10 Business Days (or, if such request is made prior to the IMA Date, 20 Business Days) of receipt of such notice, Buyer will notify Teleglobe whether it will designate such Contract as a Rejected Contract. If Buyer does not so notify Teleglobe, such Contract will be deemed to have been designated by Buyer as a Rejected Contract pursuant to this Section 4.4.4. Notwithstanding anything to the contrary contained herein, no representation or warranty (including that contained in Section 6.8) or covenant shall be deemed to be breached as a result of Buyer's designation of any Contract as a Rejected Contract.

The liabilities in connection with any Rejected Contracts will be Retained Liabilities, except to the extent such liability relates to the period when the Interim Management Agreement and the UK Interim Management Agreement is in effect and is payable as a Business Expense (as defined in the Interim Management Agreement or the UK Interim Management Agreement, as the case may be) or is included in Net Current Assets as of the IMA Date.

Any Seller may reject on or prior to the date that is 60 days after the IMA Date, with the consent of Buyer (such consent not to be unreasonably withheld, taking into account liabilities of the Sellers other than those relating to the Core Business that would be avoided as a result of such rejection) any Contract for the lease of any circuit that is listed on Part B of Schedule 1.1E.

and any such Contract will be deemed to be a Rejected Contract so long as Sellers concurrently replace such Contract with a new Contract freely assignable to Buyer and its Affiliates (including any Newco) for substantially equivalent capacity on terms and conditions (including as to quality) acceptable to Buyer in its reasonable discretion.

To the extent that any Contract is rejected by any Seller or by Buyer with the consent of Teloglobe (such consent not to be unreasonably withheld) pursuant to this Section 4.4.4, any incremental cost (determined reasonably by Buyer and Teloglobe based on a net present value calculation using an 8% per annum discount rate) that results from the replacement of such Rejected Contract with a new Contract for the same goods or services (or the portion of the goods and services covered by the Rejected Contract that relate to the Core Business, as the case may be) will be deducted from Cure Savings; provided, however, that in no event will such deduction cause the Cure Savings for such Rejected Contract to be less than zero.

4.4.5 Purchase Price Allocation The Final Purchase Price, as adjusted pursuant to Section 4.4.2, represents the amount agreed upon by the Parties to be the aggregate consideration for the Purchased Assets. On or prior to the Closing Date, Buyer and Sellers will act in good faith to attempt to agree to the allocation of the Final Purchase Price (and the Assumed Liabilities to the extent required or permitted under applicable Tax law) on an entity-by-entity basis among the Purchased Assets (in accordance with the fair market values of the respective Purchased Assets), which shall be prepared in a manner consistent with the requirements of Section 1060 of the Code (if applicable) and the similar provisions, if any, of applicable non-U.S., state, provincial and local Tax law. If Buyer and Sellers are unable to agree to an allocation in accordance with the previous sentence, then Buyer and Sellers shall each take their own reasonable positions with respect to such allocation. Solely for purposes of this Section 4.4.5, the term "Purchased Assets" shall include the Newcos' Equity and Equity Interests of Acquired Entities, where appropriate.

4.4.6 Access Following the IMA Date, Buyer and the Sellers will afford each other and any of their respective representatives reasonable access, during normal business hours and upon reasonable notice, to the Purchased Assets and their respective books, records and personnel for purposes of preparing and reviewing the Closing Statement, the Cure Savings Statement and in resolving any issues that give rise to a Disputed Amount. Sellers will cooperate with Buyer and provide all information reasonably requested by Buyer with respect to the Canadian Pension Plans in order to permit Buyer to determine whether or not to elect to designate such Plan as a Purchased Asset pursuant to subsection (j) of the definition of Purchased Assets.

4.4.7 HKTBO Claim Escrow If either: (a) the Hong Kong Notice Date will occur after the Closing Date; or (b) the Hong Kong Notice Date would occur on or before the Closing Date but for the institution of any proceedings as described in Section 4(5) and 4(6) of the HKTBO on or before the date that is one month after the date on which the notice of transfer was given pursuant to Section 3.4 (the "Proceedings") such that the notice of transfer would be deemed incomplete for purposes of the HKTBO and such Proceedings do not relate to the Assumed Liabilities and shall not have been finally determined at Closing with any liability thereunder being paid or otherwise discharged by the Sellers, then forthwith at the Closing,

Buyer will deposit an amount equal to the Maximum HK Asset Value in the Escrow Account to be held until all claims are paid and discharged by Sellers pursuant to the Proceedings.

ARTICLE V

CLOSING

5.1 The Closing. Unless this Agreement has been terminated and the transactions contemplated under this Agreement have been abandoned pursuant to Article XI and subject to the fulfillment or, if permitted, waiver of the conditions set forth in Article X, the Closing will take place at the offices of Teleglobe's legal counsel in New York or Toronto (as agreed between Teleglobe and Buyer), at 9:00 a.m. local time on the fourth Business Day following the fulfillment or, if permissible, waiver of the conditions set forth in Article X (other than those conditions set forth in Article X that are to be fulfilled at the Closing) unless another place, date or time is agreed to in writing by the Parties (the date of the Closing being referred to herein as the *Closing Date*). The Closing will be effective as of 12:01 a.m. local time on the Closing Date. The amount of the Management Fees and the Reduction Amount will be determined on a pre-income tax basis and, subject to Section 8.11.7, such amount will not be reduced for any income taxes.

5.2 Closing Deliveries.

5.2.1 Escrow Agent Deliveries. At the Closing, the Escrow Agent will deliver to Key Sellers in accordance with the terms of the Escrow Agreement the Deposit via wire transfer to Teleglobe, for the benefit of the Key Sellers, of immediately available funds to an account designated by Teleglobe.

5.2.2 Seller Deliveries. At the Closing the Key Sellers will deliver to Buyer (or the Affiliates designated by it) (a) with respect to any Seller with respect to which no request to form a Newco pursuant to Section 2.1.1 or request to purchase the Equity Interests thereof pursuant to Section 2.1.5 has been made (i) bills of sale, dated the Closing Date, in substantially the form attached hereto as Exhibit H (or, in the case of the Other Sellers, other transfer documents in standard form reasonably acceptable to Buyer) (*Bills of Sale*), duly executed by the applicable Sellers, through which the Purchased Assets (other than the Contracts and the Owned Real Property) held by those Sellers (other than Purchased Assets held by the UK Newco) are Transferred to Buyer and/or one or more of its Affiliates; (ii) Assignment and Assumption Agreements in the form of Exhibit I hereto (or, in the case of the Other Sellers, other transfer documents in standard form reasonably acceptable to Buyer (*Assignment and Assumption Agreements*)), dated the Closing Date and duly executed by the applicable Sellers (other than the UK Sellers), through which the Contracts that have not been elected to be Rejected Contracts held by such Sellers (other than Contracts to which the UK Newco is the only Affiliate of Teleglobe party thereto) are assigned to, and the Assumed Liabilities are assumed by, Buyer and/or one or more of its Affiliates; provided that, with respect to 10 or fewer Material Contracts (in addition to the Bell Canada Contracts, the obtaining of consents or a court order with respect thereto is governed by Section 9.4.4) governed by Canadian federal or provincial law designated by Buyer no more than 60 days after the IMA Date (the *Specified Canadian Contracts*), Key Sellers will use their reasonable best efforts to obtain any consent required by

the terms of such Specified Canadian Contracts for assignment thereof and, if after exercising such efforts the Key Sellers have been unable to obtain such consents, the Key Sellers shall exercise their reasonable best efforts to obtain an order of the CCAA Court effecting the assignment of the Specified Canadian Contracts for which the consent could not be obtained (it being understood that the failure to obtain such consent or order of the CCAA Court after exercising such efforts shall not be a breach of this Agreement). (iii) special warranty deeds or, in respect of Canadian real property, transfers in registrable form, in substantially the forms attached hereto as Exhibits J-1, J-2, J-3, and J-4 (or, in the case of the Other Sellers, other transfer documents in standard form reasonably acceptable to Buyer) ("Special Warranty Deeds") dated the Closing Date and duly executed by the applicable Sellers, through which the Owned Real Property held by such Sellers (other than Owned Real Property held by the UK Newco) are Transferred to Buyer and/or one or more of its Affiliates, (b) with respect to any Seller with respect to which a request has been made to form a Newco pursuant to Section 2.1.1 has been made (i) Certificates or other documents or instruments evidencing such Newcos' Equity Interests then outstanding, together with duly executed stock powers or other instruments of assignment dated the Closing Date, (ii) Bills of Sale or other appropriate documents reasonably acceptable to Buyer, duly executed by the appropriate Sellers through which the Purchased Assets (other than the Contracts and the Owned Real Property) of such Seller were Transferred to such Newco, (iii) Assignment and Assumption Agreements or other appropriate documents reasonably acceptable to Buyer, duly executed by the appropriate Sellers and Newcos, through which the Contracts that have not been elected to be Rejected Contracts were assigned to, and the Assumed Liabilities were assumed by, such Newco, and (iv) Special Warranty Deeds or other appropriate documents reasonably acceptable to Buyer, duly executed by the appropriate Sellers, through which the Owned Real Property, if any, of such Seller was Transferred to such Newco, (c) with respect to any Seller listed on Schedule 2.1.5 that is designated as an Acquired Entity pursuant to Section 2.1.5, certificates or other documents or instruments evidencing such Acquired Entity's Equity Interests then outstanding, together with duly executed stock powers or other instruments of assignment dated the Closing Date, (d) Schedule 8.11.5 and (e) such other documents, instruments and certificates as Buyer and/or any of its Affiliates may reasonably request to evidence such Seller's Transfer of the Purchased Assets or the Equity Interests of any Newco or Acquired Entities to Buyer or one or more of its Affiliates. At the Closing, the Sellers shall provide to the Buyer any forms, certificates, or other documentation as may be required by the Law of any applicable jurisdiction so as to exempt Buyer from any obligation to withhold and pay over to a Governmental Entity any portion of the Final Purchase Price.

5.2.3 Buyer Deliveries. At the Closing Buyer will deliver to the Key Sellers (a) an amount in immediately available funds to an account designated in writing by Teleglobe equal to the Final Purchase Price minus the disputed portion of any adjustment to the Unadjusted Purchase Price pursuant to Section 4.4.1, if any, minus the Deposit, minus the Disputed Amount, if any, minus 50% of the disputed portion of any Cure Savings minus, to the extent the provisions of Section 4.4.7 are applicable, the Maximum HK Asset Value (the "Closing Payment Amount"), if any, and (b) (i) Assignment and Assumption Agreements dated the Closing Date and duly executed by the Buyer and/or one or more of its Affiliates, to assume the obligations of Sellers, Acquired Entities and Newcos (and to guarantee the obligations so assumed) in respect of the Assumed Liabilities and (ii) such other documents, instruments and

certificates as any Seller may reasonably request to evidence Buyer's and/or one of its Affiliate's assumption and guarantee of the obligations of Sellers, the Acquired Entities and the Newcos in respect of the Assumed Liabilities. At the Closing Buyer will deliver to the Escrow Agent for deposit into escrow an amount equal to the sum of (a) the disputed portion of any adjustment to the Unadjusted Purchase Price pursuant to Section 4.4.1, (b) 50% of the disputed portion of any Cure Savings, (c) the Disputed Amount and (d) any amounts required to be deposited pursuant to Section 4.4.7.

5.2.4 UK Closing.

5.2.4.1 Immediately prior to Closing, the Key Sellers will cause, as contemplated by and in accordance with the terms of the Share Sale Agreement (a) Teleglobe to grant to UK Newco a loan in the form of the Agreed Loan in an amount equal to the amount of the Hive Down Receivable, (b) Teleglobe to pay by wire transfer in immediately available funds the proceeds of such loan on behalf of UK Newco to the UK Sellers in discharge of the Hive Down Receivable, (c) consummation of the Share Sale Agreement in accordance with its terms, (d) the UK Sellers to deliver the Deed of Release duly executed by the UK Sellers which shall completely discharge the Debenture with immediate effect. Immediately prior to the Closing, the Key Sellers will cause the UK Administrators on behalf of the UK Sellers to deliver to Teleglobe (x) with respect to the UK Newco (i) share certificates and certified extracts from the register of members of UK Newco evidencing such UK Newco's Equity Interests then outstanding and the ownership thereof by TIUK together with duly executed and provisionally stamped stock transfer forms dated as at that date relating to such Equity Interests, (ii) Bills of Sale, assignment or novation agreements, if any, duly executed by the UK Administrator on behalf of the UK Sellers, through which the Purchased Assets (other than the Contracts and the Owned Real Property) of such UK Sellers were Transferred to the UK Newco, (iii) assignment or novation agreements, duly executed by the UK Administrator on behalf of the UK Sellers through which the Elected Contracts (as defined in the Hive Down Agreement) were assigned to, and the Assumed Liabilities were assumed by, such UK Newco, (iv) Deed Transfers, if any, (together with any leases and documents, land certificates and charge certificates thereto) duly executed by the UK Administrators on behalf of the UK Sellers, through which the Owned Real Property of such UK Seller, if any, has been transferred to such UK Newco, (v) licenses to assign, if any, duly executed by the UK Administrators on behalf of the UK Sellers, through which any UK Purchased Assets comprising registrable Intellectual Property were assigned to, and title thereto was registered by, the UK Newco, (vi) the common seal, certificates of incorporation and statutory books, share certificates books and cheque books of such UK Newco, and (vii) an undated written resignation of each officer of UK Newco duly executed by that officer and confirming that such officer has no claims of any kind against UK Newco, and (y) such other documents, instruments and certificates as Buyer and/or any of its Affiliates may reasonably request to evidence the relevant UK Seller's Transfer of the Purchased Assets to the UK Newco or the Equity Interests of the UK Newco to Teleglobe Inc.

5.2.4.2 Immediately upon satisfaction of the matters referred to in the previous paragraph, the Key Sellers will cause the UK Newco and Teleglobe to effect the

Capitalization, Teleglobe to execute the Deed of Waiver and Teleglobe to deliver to the Buyer and/or one or more of its Affiliates (a) the Deed of Waiver dated as at the Closing Date and executed by Teleglobe, together with evidence, reasonably satisfactory to Buyer that at the time the Capitalization occurred, Teleglobe was the only shareholder in UK Newco (b) the items in the previous paragraph, (c) share certificates and certified extracts from the register of members of UK Newco evidencing such Newco's Equity Interests then outstanding and the ownership thereof by Teleglobe, (d) provisionally stamped stock transfer forms relating to the UK Newco's Equity Interests (including for the avoidance of doubt the £1.00 ordinary shares issued by the UK Newco to Teleglobe pursuant to the Capitalization), (e) a written resignation of any officer of UK Newco appointed by Teleglobe confirming that such officer has no claim of any kind against UK Newco and duly executed by that officer, or a certificate duly executed by Teleglobe that no such officers have been appointed and (f) such other documents, instruments and certificates as Buyer and/or any of its Affiliates may reasonably request to evidence the relevant UK Seller's Transfer of the Purchased Assets to the UK Newco or the Transfer by Teleglobe of the Equity Interests in the UK Newco to Buyer and/or any of its Affiliates.

5.2.5 Disputed Amount Settlement Procedure. The Party receiving any Breach Notice (the "Breaching Party") pursuant to Article XII will have 45 calendar days following the receipt of a Breach Notice to review such Notice. During such 45-day period (the "Disputed Amount Notice Period"), the Breaching Party may deliver a notice (a "DA Dispute Notice") to the non-Breaching Party in the event that the Breaching Party determines in good faith that any breach giving rise to the Breach Notice did not actually occur, has been cured or that any estimate of Losses is incorrect. If the Breaching Party fails to deliver a DA Dispute Notice within the Disputed Amount Notice Period, the Breaching Party will be deemed to have irrevocably waived its right to deliver a DA Dispute Notice. Teleglobe may deliver a Breach Notice or a DA Dispute Notice on behalf of any or all of the Sellers. Any DA Dispute Notice must specify in reasonable detail those breaches or estimates of Losses as to which the Breaching Party disagrees and the basis for its disagreement. The Breaching Party will be deemed to have agreed with all other items and amounts contained in the Breach Notices to which no objection has been made. If the Breaching Party delivers a DA Dispute Notice within the Disputed Amount Notice Period, Teleglobe and Buyer will negotiate in good faith to agree upon the Disputed Amount. If Teleglobe and Buyer fail to agree to such matters within 30 calendar days (the "DA Negotiation Period") after the DA Dispute Notice is delivered to the non-Breaching Party, the DA Dispute Notice will be resolved (i) with respect to accounting matters, by submission to the Accountants or (ii) with respect to matters other than accounting matters, by arbitration. If items in dispute are submitted to the Accountants for resolution, (x) each party will furnish to the Accountants such work papers and other documents and information relating to the disputed issues as the Accountants may request and are available to that party (or its independent public accountants), and will be afforded the opportunity to present to the Accountants any material relating to the determination and to discuss the determination with the Accountants; (y) the determination by the Accountants, as set forth in a notice delivered to the Key Sellers and Buyer by the Accountants will be binding and conclusive on Sellers and Buyer; and (z) the fees of the Accountants for such determination will be allocated by the Accountant between Teleglobe and Buyer as the Accountant may deem equitable based on the results of the

claims and defenses. Any arbitration will be settled by three arbitrators selected in accordance with this Section 5.2.5. Each of Buyer, on the one hand, and the Key Sellers, on the other hand, will appoint one arbitrator, and those two arbitrators will appoint a third arbitrator (each, an "Arbitrator" and collectively, the "Arbitrators"). In the event that the two Arbitrators cannot agree on a third Arbitrator within two days following the appointment of the second arbitrator, then the third Arbitrator will be appointed by the American Arbitration Association (the "AAA") in accordance with its then applicable rules. The Arbitrators will conduct the arbitration proceedings in accordance with the commercial arbitration rules of the AAA (expedited procedures). All determinations made by the Arbitrators will be final, conclusive and binding on Buyer and the Sellers. The fees, costs and expenses of the Arbitrators will be allocated by the Arbitrators between Teleglobe and Buyer as the Arbitrators may deem equitable based on the results of the claims and defenses. If any Disputed Amount is held in escrow and is not paid at Closing, because it is subject to dispute pursuant to this Section 5.2.5, the Escrow Agent shall promptly, and in any event within three Business Days, following the date on which the Key Sellers and Buyer agree to the treatment of the Disputed Amount or the date on which the determination of an Arbitrator or the Accountants, as applicable, becomes final and binding, as the case may be, release to the applicable Party the portions of such Disputed Amounts that are deemed to be the property of Buyer or Sellers, respectively.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES OF SELLERS

The Key Sellers hereby jointly and severally represent and warrant to Buyer as follows.

6.1 Sellers and Newcos

6.1.1 Organization. Each Seller is an entity duly incorporated, created, formed or organized and validly existing under the laws of the jurisdiction of its incorporation, creation, formation or organization. Each Seller has the full entity power and authority necessary to own and operate the Core Business and the Purchased Assets owned by it. Each Seller is duly qualified to do business as a foreign entity in each jurisdiction in which the Core Business or the Purchased Assets owned by it require such qualification, except for those jurisdictions where the failure to so qualify would not have, individually or in the aggregate, a Material Adverse Effect.

6.1.2 No Other Owners. Upon completion of the Migration Transactions, Sellers and, to the extent a Newco has been created pursuant to Section 2.1.1, such Newcos, will be the only Affiliates of Teleglobe that will operate the Core Business or any portion thereof or that will own assets used in connection therewith, other than the assets listed on Part II of Schedule 1.13, and third party lessors of Leased Real Property and Lensed Tangible Personal Property.

6.2 Authority. Each Seller has the full entity power and authority necessary to execute and deliver this Agreement and the Interim Management Agreement and the UK Interim Management Agreement (to the extent it is a party hereto or thereto) and to consummate the transactions to be performed by it hereunder and thereunder and, to the extent applicable, the Migration Transactions. The execution and delivery of this Agreement, the Interim Management

Agreement and the UK Interim Management Agreement by each Seller (to the extent it is a party hereto or thereto) and the performance by each Seller of the obligations contemplated to be performed by such Seller hereunder and thereunder (to the extent it is a party hereto or thereto) and under the Migration Transactions have been duly authorized by all necessary entity actions or proceedings of such Seller and the Monitor (except as described in Section 8.4) and, other than with respect to such proceedings as may be necessary as a result of the designation of a Newco pursuant to Section 2.1.1, no other entity proceedings on the part of such Sellers, its board of directors, stockholders, managers, members, Administrators or the Monitor, as applicable, is necessary. Subject to the approval of the Bankruptcy Courts (with respect to the UK Court, only to the extent required) and the DIP Lender and to the extent any Seller is a party hereto or thereto, this Agreement is, and when executed by the applicable Sellers, the Interim Management Agreement and the UK Interim Management Agreement will be, a valid and binding obligation of each such Seller, enforceable against each such Seller in accordance with its terms.

6.3 Consents and Approvals. No Consent is required in connection with the execution or delivery by any Seller of, or the performance by any Seller of its obligations under, this Agreement or the Interim Management Agreement or the UK Interim Management Agreement (to the extent such Seller is a party hereto or thereto) except for:

- (a) the Consents under Contracts listed or described on Schedule 6.3(a) and other Consents under Contracts where the failure to obtain such Consent would not have, individually or in the aggregate, a Material Adverse Effect;
- (b) the filing of applicable filings under the Competition Act, Investment Canada Act, HSR Filings, if any, filings required or reasonably considered to be applicable under Sections 10.2.4(g) and 10.3.8(d), if any, filings under the EC Merger Regulation, if any, and filings and applicable consents and approvals with respect to the transfer assignment or reauthorization of Telecommunications Operating Authorities, Radio Communications Licenses and Submarine Cable Landing Licenses, Class A Basic International Telecommunications Service License, and any other Permits;
- (c) the required prior approvals and orders of the Bankruptcy Courts, including the Bankruptcy Court Orders and the DIP Lenders;
- (d) the other regulatory notifications or approvals listed on Schedule 6.3(d), and
- (e) to the extent required, the approvals of Governmental Entities or Bankruptcy Court Orders for the assignment of Contracts to Buyer.

Except as listed or described on Schedules 6.3(a) and 6.3(d), assuming that, as of the Closing Date, the Consents referred to in the preceding sentence will have been obtained or made and will remain in full force and effect, the execution and delivery of this Agreement and the

Interim Management Agreement by the Key Sellers; the execution and delivery of the Interim Management Agreement by the Other Sellers (other than the UK Sellers); and the execution and delivery of the UK Interim Management Agreement by the UK Newco do not, and the performance by the Key Sellers of their obligations under this Agreement will not, conflict with or result in the violation of, or constitute a default under, or give rise to a right of termination, cancellation or acceleration of any obligation under, (i) the charter, bylaws or other organizational documents of any Seller or any Newco, (ii) any Material Contract, or (iii) any Permit, except in the case of clauses (ii) and (iii), conflicts, violations, defaults or rights that would not have, individually or in the aggregate, a Material Adverse Effect

6.4 Real Property.

6.4.1 Owned Real Property. Schedule 6.4.1 sets forth the address and description of each parcel of Owned Real Property. With respect to each parcel of Owned Real Property:

6.4.1.1 one of the Sellers (who is identified specifically on Schedule 6.4.1) has registered title to such Owned Real Property free and clear of all Liens, except Permitted Liens and Liens in favor of the DIP Lender. To the extent that a Seller forms a Newco in accordance with Section 2.1.1, except to the extent listed or described on Schedule 6.4.1, prior to the Closing each Seller will Transfer to the applicable Newco pursuant to Section 2.1.2 its right, title and interest in and to the Owned Real Property, and

6.4.1.2 except as set forth on Schedule 6.4.1.2 and except for Permitted Liens and Liens in favor of the DIP Lender, none of the Sellers has leased or otherwise granted to any Person the right to use or occupy such Owned Real Property or any portion thereof, and

6.4.1.3 except as set forth on Schedule 1.1N, there are no outstanding options, rights of first offer or rights of first refusal to purchase such Owned Real Property or any portion thereof or interest therein, and

6.4.1.4 to the best of the Sellers' Knowledge, each of the Permitted Liens has been complied with by the Sellers in all material respects

6.4.2 Leased Real Property. Schedule 1.1G sets forth the address and description of each parcel of Leased Real Property (other than Excluded Assets) used in the Core Business.

6.4.2.1 Such leases of Leased Real Property are legal, valid, and binding and enforceable against the Seller that is a party thereto and, to Sellers' Knowledge, any counterparties thereto, and in full force and effect, except where the failure to be legal, valid, binding and enforceable or in full force and effect results from the pendency of the Insolvency Proceedings or would not, individually or in the aggregate, have a Material Adverse Effect.

6.4.2.2 None of the Sellers, or to Sellers' Knowledge, any other party is in breach or default under any leases of Leased Real Property, and no event has occurred or circumstance exists which, with the delivery of notice, passage of time or both, would constitute such a breach or default, or permit the termination, modification or acceleration of rent under such leases of Real Property except (i) in the case of breaches by the Sellers (A) where such breach, default, termination, modification or acceleration results from the pendency of the Insolvency Proceedings, (B) will be cured at or prior to the IMA Date or (C) with respect to which the liability will be included in the Net Current Assets as of the IMA Date, or (ii) with respect to other parties, that would not, individually or in the aggregate, have a Material Adverse Effect.

6.5 Tangible Personal Property. Schedule 6.5 is a list, compiled by Telelogic in connection with the conduct of the Core Business, of tangible personal property used in connection with the conduct of the Core Business. The Sellers make no representation or warranty as to the accuracy or completeness of Schedule 6.5. To the extent a Seller owns the tangible personal property listed on Schedule 6.5 on the Closing Date, except as listed or described on Schedule 6.5, at or prior to the Closing, Sellers will Transfer to the Buyer, its Affiliates or the applicable Newco in accordance with Section 2.1.2 all of their right, title and interest in and to such property free and clear of all Liens other than Permitted Liens, unless such property constitutes an Excluded Asset or is owned by a Newco or an Acquired Entity.

6.6 Contracts

6.6.1 To the Knowledge of the Sellers, except as set forth on the Contract Schedules, Sellers have delivered or made available true and correct copies, or accurate summaries of, all Material Contracts in effect as of the date hereof and all Contracts listed on the Contract Schedules. Prior to the date of this Agreement, Sellers have been operating the Core Business substantially in accordance with the terms and conditions of the Material Contracts or Contracts listed on the Contract Schedules as set forth in the copies or summaries delivered or made available to Buyer pursuant to this Agreement except with respect to pricing terms modified in the ordinary course of business and payment terms modified as a result of the Insolvency Proceedings (the "Diligence Copies"), and the Diligence Copies are true, correct and complete, except to the extent that any such Contract has expired due to standard contract expirations or that the provisions of any Contract or Contracts, or portion thereof, that was omitted from the Diligence Copies would not, individually or in the aggregate, have a Material Adverse Effect. Except to the extent any failure to be a legal, valid and binding agreement or to be in full force and effect resulted from the Insolvency Proceedings (which default will have been waived, or will be cured by Bankruptcy Court Order, or does not result in termination) or from standard Contract expirations or would not have, individually or in the aggregate, a Material Adverse Effect each Material Contract that is in writing and each other Contract that is in writing is a legal, valid and binding agreement of the Seller party thereto, enforceable in accordance with its terms subject, as to the enforcement of remedies, to applicable provisions of Bankruptcy Law and is in full force and effect. As of the date hereof and as of the IMA Date except as described on Schedule 6.6.1 (a) except for defaults resulting from Insolvency Proceedings each Seller or Newco party to a Material Contract or other Contract has performed, in all material respects, the obligations required to be performed by it to date under such Material

Contract or other Contract except for breaches by Sellers for which an agreement or settlement with respect to the cure amount shall have been determined or reached and have become binding on the parties thereto at or prior to the IMA Date or with respect to which the liability will be included in Net Current Assets as of the IMA Date, (b) to the Knowledge of the Sellers, there is no default by any other party to any Material Contract or other Contract and (c) no party to any Material Contract or other Contract has given any Seller or Newco written notice of its intention to cancel, terminate or failure to renew any Material Contract or other Contract, in the case of clauses (b) or (c) that individually or in the aggregate would have a Material Adverse Effect. Except as set forth on Schedule 6.6.1, no Seller has assumed any Material Contract or other Contract under the US Bankruptcy Code prior to the date hereof and the Canadian Debtor Sellers organized under the laws of Canada or any province thereof are permitted to reject any Material Contract or other Contract to which a Canadian Debtor Seller organized under the laws of Canada or any province thereof is a party under the CCAA.

6.6.2 Except for the Contracts contained in the Contract Schedules, there are no Contracts and other agreements (written or oral) included in the Purchased Assets to which any of the Sellers is a party:

6.6.2.1 creating a partnership or joint venture.

6.6.2.2 imposing a noncompetition obligation on a Seller.

6.6.2.3 between the Sellers and any of their Affiliates (other than an Affiliate that is also a Seller);

6.6.2.4 constituting a Collective Agreement; and

6.6.2.5 for the employment of any individual on a full-time, part-time, consulting, or other basis providing annual compensation in excess of \$100,000 or providing severance benefits

6.6.3 Cure Contracts. Schedule 1.1K is a true, correct and complete listing of each Cure Contract

6.6.4 UK Contracts. Schedule 6.6.4 is a true, correct and complete listing of each Contract to which any of the UK Sellers is a party.

6.7 Intellectual Property

6.7.1 Sellers own and possess all right, title and interest in and to, or have a valid and enforceable license to use pursuant to a written license agreement set forth on Schedule 6.7.1, all of the Company Intellectual Property, free and clear of all Liens (except Permitted Liens and Liens in favor of the DIP Lender) except where the failure to so own or possess or have a valid and enforceable license or the existence of such Lien would not have, individually or in the aggregate a Material Adverse Effect

6.7.2 To the Knowledge of the Sellers, the operation of the Core Business as currently conducted will not infringe or misappropriate any Intellectual Property rights of third parties, except where such infringement or misappropriation would not have individually or in the aggregate, a Material Adverse Effect. To the Knowledge of the Sellers, no third party has infringed upon or misappropriated any Company Intellectual Property.

6.8 Sufficiency of Assets. (a) Except for the assets set forth on Part II of Schedule 1.1J and the items listed on Schedule 2.1.4, and assuming completion of the Migration Transactions set forth on Schedule 6.19, the Purchased Assets (i) constitute, in all material respects, all of the assets, properties, rights, contracts, Intellectual Property and systems of the Sellers used in the conduct of the Core Business and in all material respects all of the contracts necessary to maintain and operate all property and equipment included in the Network Plan and (ii) taken as a whole are in all material respects fully adequate for the conduct of the Core Business immediately after the IVA Date. The Purchased Assets (A) taken as a whole are, in the case of tangible assets, in good operating condition (subject to normal wear and tear); (B) taken as a whole are in serviceable condition and suitable for the uses for which intended; and (C) include all assets or services of the Core Business listed on Schedule 6.8(a)(iii). Since January 1, 2002, there have been no material outages or systems failures relating to the Core Business other than such outages or failures that have not had a Material Adverse Effect.

(b) Without limiting the representation in Section 6.8(a) above:

(i) all of the Owned Tangible Personal Property and Leased Tangible Personal Property of Teleglobe and its subsidiaries in Hong Kong, Spain and Australia and all of the material Owned Tangible Personal Property and material Leased Tangible Personal Property in Canada constitute Purchased Assets and are being delivered to Buyer or its Affiliates (whether directly or in connection with a transfer of a Newco or Acquired Entity) pursuant to this Agreement,

(ii) all of the assets of Teleglobe and its subsidiaries located at the facilities in the United States and the United Kingdom listed on Schedules 1.1G, and 6.4.1 used in the Core Business constitute Purchased Assets and are being delivered to Buyer or its Affiliates (whether directly or in connection with a transfer of a Newco) pursuant to this Agreement (except for books and records required to be kept by the UK Sellers or the UK Administrators (copies of which, to the extent related to the Core Business, the Purchased Assets or Assumed Liabilities, will be provided to Buyer at no cost to Buyer)); and

(iii) giving effect to the completion of the Migration Transactions described on Schedule 6.19 hereto and except for the assets set forth on Part II of Schedule 1.1J, the Purchased Assets include all material assets necessary to operate the Core Business

in a manner consistent with the Network Plan, attached hereto as Schedule 6.8(b)(iii) (the "Network Plan").

6.9 Employee Matters.

6.9.1 The Employee Letter sets forth an accurate list of all employees (other than Union Employees and the UK Employees) of Sellers who, as of the day preceding the date of this Agreement, were employed by Sellers primarily in connection with the Core Business. To the Sellers' Knowledge, except as disclosed on Schedule 6.9.1B, with respect to the Core Business: (i) there is no Collective Agreement or relationship with any labor organization; (ii) no labor organization or group of employees has filed any representation petition or made any written or oral demand for recognition; (iii) no union organizing or decertification efforts are underway or threatened and no other question concerning representation (or foreign equivalent) exists; (iv) no labor strike, work stoppage, slowdown, or other material labor dispute has occurred, and none is underway or, to the Knowledge of the Sellers, threatened; (v) there is no workman's compensation liability, experience or matter that would have a Material Adverse Effect; and (vi) no Seller has incurred any liability or obligation under the WARN Act or any similar state or local law, which remains unpaid or unsatisfied.

6.9.2 Sellers have delivered or made available to Buyer any profit sharing, stock option, stock purchase, stock appreciation, deferred compensation, severance, or other plan or arrangement offered by Sellers or any subsidiary of Teleglobe in which any Transferred Employee (or any UK Employee) is participating.

6.9.3 Sellers have delivered or made available accurate summaries of all compensation arrangements and written employment agreements made by Sellers or any subsidiary of Teleglobe in respect of any Transferred Employee (and any UK Employees). The severance plan attached to the Employee Letter is a true and correct copy of the Sellers' severance plan, and except as set forth in the Employee Letter, no other severance plan in which a Transferred Employee (or a UK Employee) is eligible to participate is currently in effect with respect to any Seller or Newco.

6.9.4 Sellers have made available to Buyer copies of all the material standard terms and conditions, staff handbooks and policies which apply to Employees.

6.9.5 No Australian Employee has any claim against the Seller

- (i) to Sellers' Knowledge as of the date of this Agreement in respect of any accident or injury which is not fully covered by insurance; or
- (ii) for breach of contract of services or for services; or
- (iii) for loss of office or arising out of or connected with the termination of his office or employment (including any redundancy payment)

and to Sellers' Knowledge as of the date of this Agreement there is no event which would or might give rise to any such claim.

6.9.6 There are no investigations, and to Sellers' Knowledge no inquiries existing affecting the UK Sellers in relation to any of the UK Employees by the Equal Opportunities Commission, the Commission for Racial Equality, the Health and Safety Executive or the Disability Rights Commission

6.9.7 Full and accurate details are disclosed in the Employee Letter of any redundancy scheme or formula or policy or custom and practice under which the UK Sellers have made payments in excess of the statutory redundancy entitlement to any former UK Employee or Former Australian Employee in the last 12 months and there is no provision in any occupational pension scheme in which any UK Employee or Australian Employee participates which provides enhanced benefits on redundancy.

6.10 Company Plans. Schedule 6.10 sets forth an accurate, correct and complete list of each Company Plan. With respect to each Company Plan:

6.10.1 (i) (A) Except as provided on Schedule 6.10.1(i), no Seller and no ERISA Affiliate maintains, contributes to or is required to contribute to any US Company Plan subject to Title IV of ERISA or Section 412 of the Code.

(B) No plan listed on Schedule 6.10.1(i) has resulted in any Lien under Section 412 of the Code and no such plan will result in any liability for Buyer.

(ii) No Seller or ERISA Affiliate is, or was during the preceding six years, obligated to contribute to, or contributes to, any US Company Plan that is a Multiemployer Plan or a "multiple employer plan" within the meaning of Section 413(b) or (c) of the Code.

(iii) Except as disclosed in the Employee Letter, and except as required by Section 4980B of the Code or Part 6 of Title I of ERISA, no Seller has any obligation to provide medical, life insurance or death benefits (whether or not insured) with respect to current or former employees of a Seller beyond their retirement or other termination of employment. Except as disclosed in the Employee Letter, any continuation coverage provided under any welfare benefit plan complies with Section 4980B of the Code and is at the expense of the participant or beneficiary to the extent permitted by Section 4980B of the Code.

(iv) Save under the pension arrangements specified in Schedule 6.10.1(iv) (the "Disclosed Pension Schemes") and the benefits arrangements specified in Schedule 6.10.1(iv) (together with the Disclosed Pension Schemes, the "Disclosed Schemes") and the state pension schemes, the UK Sellers are not under any obligation or commitment, nor are the UK Sellers a party to any custom or practice, to pay, provide or contribute towards any relevant benefits within the meaning of section 612 of the Income and Corporation Taxes Act 1988 (ignoring the exception contained in that section), including the making of any payment of contributions to, or remuneration specifically referable to contributions to, any personal pension scheme, stakeholder pension scheme, retirement annuity contract or similar arrangement ("Relevant Benefits") in or in respect of any UK Employee.

(v) Full details of the Disclosed Schemes have been supplied to the Buyer.

(vi) Every UK Employee who is or has been a part-time employee is not and never has been excluded from membership of a Disclosed Scheme by reason of his or her part-time status.

(vii) At the date of this Agreement, each UK Employee is an employee of Teleglobe International (UK) Limited, and Teleglobe International (UK) Limited has neither been a party to any "relevant transfer" (as defined in the Transfer Regulations) in relation to the UK Employees nor has it ever acquired another company which, at the date of the relevant acquisition, employed any of the UK Employees.

(viii) Except as listed in the Employee Letter, to Sellers' Knowledge no UK Employee beneficially owns any options issued under any stock option plan of BCE to purchase any shares of capital stock of BCE nor is a party to any agreement pursuant to which such employee is entitled to receive any options to purchase the capital stock of BCE.

(ix) To the Knowledge of the Sellers, the Disclosed Pension Schemes are and have been at all times in all material respects operated in accordance with their governing documentation and with the requirements of law and regulatory practice.

(x) To the Knowledge of the Sellers, the Disclosed Pension Schemes are exempt approved schemes within the meaning of section 592(1) of the Income and Corporation Taxes Act 1998 or approved within the meaning of Chapter IV of Part XIV of the Income and Corporation Taxes Act 1988 and have been with effect from their dates of commencement.

6.11 Compliance with Laws. Except where the failure to have complied or be in compliance would not, individually or in the aggregate, have a Material Adverse Effect, Sellers (x) are in compliance and (y) have complied with all Laws applicable to the Core Business or the Purchased Assets, including all Laws relating to the employment of personnel and labor (including provisions thereof relating to wages, employee benefits, hours, equal opportunity, collective bargaining or, except as set forth on Schedule 6.16, the payment of Taxes); public health and safety, worker health and safety and pollution or protection of the environment; real estate or land use, or Intellectual Property.

6.12 Brokers and Finders. Except for fees and expenses payable to Lazard Frères & Co. LLC (whose fees and expenses will be paid by Sellers), none of the Sellers nor any Affiliate of any Seller has incurred any liability for any brokerage fees, commission or finders fees in connection with the transactions contemplated hereby for which Buyer, the Newco or any of their Affiliates could become liable.

6.13 Investment Canada Act, Telecommunications Act. Each Seller that is transferring Newco Equity in a Newco that is organized under the laws of Canada is not, and will not at the Closing be, a non-Canadian person within the meaning of the Investment Canada Act (a "Non-Canadian"). Except as set forth on Schedule 6.13, the "transmission facilities" (as that term is defined under the Telecommunications Act) that would be owned or operated by Buyer and its Affiliates as a result of the consummation of the transactions contemplated by this Agreement as

of Closing (without giving effect to Section 2.2) are limited to "international submarine cables" or "earth stations that provide telecommunications services by means of satellites".

6.14 Taxable Canadian Property Each Seller that is transferring (i) Newco Equity in a Newco that is organized under the laws of Canada or of a province or territory therein or (ii) Purchased Assets that constitute "Taxable Canadian Property" within the meaning of the ITA and "Taxable Quebec Property" within the meaning of the *Quebec Taxation Act*, is not a non-resident of Canada for purposes of the ITA or, if a non-resident of Canada for purposes of the ITA, has delivered to Buyer, on or before the Closing, certificates pursuant to section 116 of the ITA and the equivalent provision of the *Quebec Taxation Act* with a limit equal to or greater than the Final Purchase Price in respect of the Taxable Canadian Property and Taxable Quebec Property. If such certificates are not delivered on or before the Closing, then Buyer shall be entitled to deduct and remit to the Escrow Agent, from the Final Purchase Price, 25% of the Final Purchase Price in respect of the Taxable Canadian Property and 12% of the Final Purchase Price in respect of the Taxable Quebec Property (the "Withheld Amount"). If such certificates are not delivered to the Buyer prior to the 28th day after the end of the month in which the Closing occurs (the "Remittance Date"), the Parties shall direct the Escrow Agent to remit the Withheld Amount to the appropriate Governmental Authority. If such certificates are delivered to the Buyer prior to the Remittance Date, the Parties shall direct the Escrow Agent to remit the Withheld Amount, and any interest thereon (net of any applicable withholding Tax on such interest), to the appropriate Seller, or in the event that the appropriate Seller has not been determined, to Telelobe to hold in trust for the appropriate Seller once determined.

6.15 No U.S. Real Property Interest Neither any of the Purchased Assets nor any interest in any Newco Equity to be transferred by a Seller that is not a United States Person (within the meaning of Section 7701(a)(30) of the Code) is a United States real property interest (within the meaning of Section 897(c) of the Code).

6.16 Taxes Except as provided in Schedule 6.16, as of the date of this Agreement all material Taxes shown on Tax Returns of each Seller have been timely paid in full or will be timely paid in full by the due date thereof. Except as provided in Schedule 6.16, as of the date of this Agreement no Seller has actual knowledge of any material underpayment of Taxes with respect to any Tax Return filed by Sellers. Except as provided in Schedule 6.16, as of the date of this Agreement each Seller, each Newco and each affiliated, consolidated, combined or unitary group of which any Seller or Newco is a member (an "Affiliated Group") has paid over to the proper Governmental Entities all amounts required to be withheld from the wages or salaries of employees and independent contractors. Except as set forth on Schedule 6.16, there are no liens for Taxes (other than Permitted Liens) on the Core Business or on any of the Purchased Assets. Except as provided in Schedule 6.16, as of the date of this Agreement, there are no material examinations, audits or inquiries pending of any Tax Return of any Seller, any Newco or any Affiliated Group. Except as provided in Schedule 6.16, as of the date of this Agreement, no material deficiency or assessment with respect to Taxes has been proposed, asserted or assessed in writing or otherwise against any Seller, any Newco or any Affiliated Group. Except as provided in Schedule 6.16, neither any Newco nor any Acquired Entity is subject to any Tax sharing agreement.

6.17 Financial Information

6.17.1 Voice and data revenues for the Core Business for months of May, June and July 2002 set forth on Schedule 6.17.1 were calculated in accordance with the Baseline Financial Statement Methodology.

6.17.2 Set forth on Schedule 6.17.2 is true, correct and complete description of the Baseline Financial Statement Methodology. The Baseline Financial Statement is a true and correct calculation of Current Assets less Current Liabilities as of May 31, 2002 prepared in accordance with the Baseline Financial Statement Methodology.

6.17.3 Neither the shares in Teleglobes Australia Pty Ltd nor the Australian Assets have an aggregate gross book value of A\$50,000,000 or more.

6.18 Permits

6.18.1 Schedule 6.18.1(i) contains a true and correct list of all material Permits. Except as set forth on Schedule 6.18.1(ii), the Sellers and the Newcos have (or, in the case of Newcos, will obtain prior to the Closing) all material Permits (including under applicable environmental Laws) required to be maintained or obtained in order to conduct the Core Business as it is currently conducted and such material Permits contain no conditions that adversely affect their use in the Core Business as contemplated by the Network Plan, and none of the Sellers or Newcos is, nor as of the IMA Date will be, in violation in any material respect of any of the material Permits applicable to the Core Business or the Purchased Assets.

6.18.2 To the Knowledge of the Sellers, as of the date hereof, none of the Sellers are, with respect to the Permits, subject to any administrative suit, proceeding, or investigation by any Governmental Entity, or any formal or informal complaints or administrative actions by third parties, except as set forth in Schedule 6.18.2(i) ("Complaints"). No such action, suit, proceeding, complaint or investigation, if determined adversely to Sellers, either individually or collectively would have a Material Adverse Effect. To the Knowledge of the Sellers, except as set forth in Schedule 6.18.2(ii) ("Reports/Fines"), Sellers have timely filed all material reports required with respect to the material Permits with the applicable Governmental Entities and are in compliance in all material respects with all of the provisions thereof, and none of the Sellers or Newcos are subject to any material fines or forfeitures by any Governmental Entity. With respect to those matters set forth in Schedule 6.18.2(ii), no such matter, either individually or collectively would have a Material Adverse Effect.

6.19 Migration Transactions Except for the transactions set forth on Schedule 6.19, the Migration Transactions have been completed prior to the date hereof and will not be avoided or set aside in any material respect for any reason by a court of competent jurisdiction. Upon entry of the Sale Approval Orders, all approvals (including judicial approvals) required for consummation, in any material respect, of the Migration Transactions will have been obtained.

ARTICLE VIII

REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents and warrants to the Sellers as follows

7.1 Organization Buyer is a limited liability company duly organized, validly existing and in good standing under the laws of Delaware. Buyer has the requisite entity power and authority to own and operate its properties.

7.2 Authority Buyer has the requisite entity power and authority to execute and deliver this Agreement, the Interim Management Agreement and the UK Interim Management Agreement and to consummate the transactions to be performed by it hereunder and thereunder. The execution and delivery of this Agreement, the Interim Management Agreement and the UK Interim Management Agreement by Buyer and the performance by Buyer of the obligations contemplated to be performed by Buyer hereunder and thereunder have been duly authorized by all necessary actions. This Agreement is, and, when executed and delivered by Buyer, the Interim Management Agreement and the UK Interim Management Agreement will be, a valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms.

7.3 Consents and Approvals No Consent is required in connection with the execution or delivery by Buyer of, or the performance by Buyer of its obligations under, this Agreement, the Interim Management Agreement or the UK Interim Management Agreement except for:

- (a) the filing of applicable filings under the Investment Canada Act, the Competition Act, HSR Filings, if any, filings required or reasonably considered to be applicable under Sections 10.2.4(d) and 10.3.8(d) if any, filings under the EC Merger Regulation, if any, the applicable filings under the Foreign Acquisition and Takeover Act 1975 (Cth.), if any, and filings with respect to the transfer, assignment or reauthorization of Telecommunications Operating Authorities, and Radio Communications Licenses, Submarine Cable Landing Licenses and Class A Basic International Telecommunications Service License and any other Permits or, to the extent applicable any Contracts, or
- (b) Consents that would not have individually or in the aggregate, a material adverse effect on the ability of Buyer to consummate the transactions contemplated by this Agreement, the Interim Management Agreement or the UK Interim Management Agreement if not obtained or made.

Except as listed or described on Schedule 7.3, assuming that, as of the Closing Date, the Consents referred to in the preceding sentence will have been obtained or made and will remain in full force and effect, the execution and delivery of this Agreement, the Interim Management Agreement and the UK Interim Management Agreement by Buyer do not, and the performance by Buyer of its obligations hereunder and thereunder will not, conflict with or result in the violation of, or constitute a default under, or give rise to a right of termination, cancellation or

acceleration of any obligation under, (i) the charter, bylaws or other organizational documents of Buyer, (ii) any agreement or contract to which Buyer is a party or by which Buyer is bound, or (iii) any license, permit or authorization issued to Buyer by any governmental entity, except in the case of clauses (ii) and (iii), conflicts, violations, defaults, or rights that would not have, individually or in the aggregate, a material adverse effect on the ability of Buyer to consummate the transactions contemplated by this Agreement, the Interim Management Agreement or the UK Interim Management Agreement.

7.4 Sufficiency of Funds. Affiliates of Buyer have provided Buyer with commitments upon which Sellers may rely for debt and equity financing upon the execution of the Interim Management Agreement and the UK Interim Management Agreement in an aggregate amount sufficient to pay the Final Purchase Price, the Target Maximum Cure Amount assumed as part of the Assumed Liabilities and all amounts, fees and expenses payable by Buyer in connection with this Agreement, the Interim Management Agreement and the UK Interim Management Agreement and the transactions contemplated hereby and thereby.

7.5 Brokers and Finders. Neither Buyer nor any of its Affiliates has incurred any liability for any brokerage fees, commissions or finders fees in connection with the transactions contemplated hereby for which any Seller or any Affiliate of any Seller could become liable.

7.6 Investment Intent. The Newcos' Equity and any Equity Interest in an Acquired Entity is being purchased for Buyer's own account and not with a view to, or for resale in connection with, any distribution or public offering thereof. Buyer understands that the Newcos' Equity and the Equity Interests of the Acquired Entities have not been registered under the securities laws of any jurisdiction by reason of its issuance in transactions exempt from the registration requirements of such securities laws.

7.7 Non-Resident of Canada. Buyer is not a resident of Canada nor does it have operations in Canada.

ARTICLE VIII

CERTAIN COVENANTS

8.1 Disclosure Supplements. Not less than five (5) days prior to the IMA Date, (and subject to the rights of Buyer to terminate this Agreement under Section 11.13(b)), the Key Sellers by written notice to Buyer may amend or supplement the Schedules (other than Schedule 11K) to this Agreement in a manner consistent with Key Sellers prior disclosure pursuant to (iii) below to modify the representations and warranties (whether or not such representations or warranties are qualified by a reference to a Schedule) made by the Key Sellers herein with respect to any Disclosable Matter that arises after the date hereof. For purposes hereof, a matter or circumstance shall be deemed a "Disclosable Matter" if and only if (i) such matter or circumstance was not in existence on or prior to the date hereof, (ii) had it existed or occurred on or prior to the date hereof, failure to list or describe such matter or circumstance on the Schedules to this Agreement would have resulted in a breach of a representation or warranty by the Sellers, and (iii) the Sellers have disclosed such matter or circumstance to Buyer in such written notice promptly after becoming aware of the existence of such matter or circumstance.

Unless Buyer has the right to terminate this Agreement pursuant to Section 11.1.3(b) by reason of the matter disclosed and exercises that right within the period of five (5) Business Days after receipt of any notice received pursuant to this Section 8.1, the written notice pursuant to this Section 8.1 will be deemed to have amended the Schedules to this Agreement, to have qualified the representations and warranties contained in Article VI, and to have cured any misrepresentation or breach of warranty that otherwise might have existed hereunder by reason of the matter so disclosed.

8.2 Access to Information: Confidentiality.

8.2.1 Each Key Seller will, and will cause each Other Seller to, afford to Buyer and its representatives full access (subject, however, to existing confidentiality and similar non-disclosure obligations including obligations under the Personal Information Protection and Electronic Documents Act (Canada) or similar laws in other jurisdictions) during normal business hours and upon reasonable notice during the period prior to the IMA Date to all of the Purchased Assets held by it and each Seller's books, records and personnel relating to the Core Business and during such period, each Key Seller will, and will cause each Other Seller to, furnish as promptly as practicable to Buyer such information (subject, however, to existing confidentiality and similar nondisclosure obligations) concerning the Core Business as Buyer may from time to time reasonably request. Buyer will hold, and will cause its representatives and Affiliates to hold, any nonpublic information obtained from any Seller or any Affiliate of any Seller in confidence to the extent required by, and in accordance with the provisions of, the Confidentiality Agreement.

8.2.2 Subject to the confidentiality provisions of, or referred to in, Section 8.2.1, from the date hereof until the expiration of any applicable statute of limitations with respect thereto, each Key Seller will, and will cause each Other Seller to, afford to Buyer and its representatives full access to (a) the Tax records and filings of such Seller relating to the Core Business or the Purchased Assets, and (b) the litigation files of such Seller relating to the Core Business or Purchased Assets, to the extent that the disclosure of such litigation files will not abrogate an attorney-client privilege in a manner that such Seller reasonably determines to be adverse to its interests.

8.3 Efforts: Regulatory Matters. On the terms and subject to the conditions set forth in this Agreement, each of the Parties will, and the Key Sellers, will also cause the Other Sellers to use best efforts to take, or cause to be taken, all actions, and do, or cause to be done, and assist and cooperate with the other Parties in doing, all things necessary to consummate promptly the transactions contemplated hereby, including the satisfaction (but not waiver) of the conditions set forth in Article IX and Article X. Without limiting the generality or effect of the foregoing, each of the Parties will or, in the case of the Key Sellers, will cause the Other Sellers to, (a) if required, make promptly its respective filings under the Competition Act and Investment Canada Act, filings required or reasonably considered to be applicable (to the extent Sellers have notice thereof) under Sections 10.2.4(d) and 10.3.8(d), if any, filings with respect to obtaining the consent and approval to the transfer, assignment or reauthorization of Telecommunications Operating Authorities including the Class A Basic Information Telecommunication Services License, Submarine Cable Landing Licenses, Radio Communications Licenses, and the HSR

Filing, and thereafter make any other required submissions thereunder with respect to the transactions contemplated hereby and in connection with the Consents described on Schedule 6.3(d); and (h) use its best efforts to promptly take, or cause to be taken, all other appropriate actions, and to do, or cause to be done, all other things necessary under Laws to consummate and make effective the transactions contemplated by this Agreement, including using best efforts to obtain all Consents of Governmental Entities as are necessary in connection with the consummation of the transactions contemplated hereby and to fulfill the conditions hereon. Each Party will or, in the case of the Key Sellers, will cause the Other Sellers to, provide the other Parties the opportunity to make copies of all correspondence, filings or communications (or memoranda setting forth the substance thereof) between such Party or its representatives, on the one hand, and any Governmental Entity, on the other hand, with respect to the Agreement or the transactions contemplated hereby; provided that in no event shall Buyer or any Seller be obligated to disclose any of its HSR Filing, Competition Act, Investment Canada Act or similar filings. Without in any way limiting the foregoing, the Parties will or, in the case of the Key Sellers, will cause the Other Sellers to, (x) consult and cooperate with one another and consider in good faith the views of one another, in connection with any analyses, appearances, presentations, memoranda, briefs, arguments, opinions and proposals made or submitted by or on behalf of any Party (or any Other Seller) in connection with matters under or relating to the Competition Act, HSR Act, Investment Canada Act, UK Fair Trading Act, the EC Merger Regulation, or any other federal, state or foreign, antitrust, competition or merger control law; and (y) notify and keep the other advised of (i) any material communication from the Competition Bureau, CRTC, Industry Canada or Cultural Sector Investment Review Division of the Ministry of Canadian Heritage (if applicable), the United States Department of Justice, the UK Office of Fair Trading or the European Commission, or any other Governmental Entity regarding any of the transactions contemplated hereby, and (ii) any litigation or administrative proceeding pending and known to such Party or Other Seller, which challenges the transactions contemplated hereby.

8.4 Approval of Bankruptcy Courts. Buyer and the Key Sellers acknowledge that this Agreement is part of the administration of an extensive process undertaken by Sellers to identify and negotiate a transaction with a bidder to pay the highest and best purchase price for the Purchased Assets. The Key Sellers further acknowledge that Buyer has expended significant time and resources prior to entering into this Agreement, and would not enter into this Agreement but for Sellers' agreement to comply with the provisions of this Section 8.4 and Section 11.3.

8.4.1 Transaction Notice Filings. Within two Business Days following the date on which this Agreement is executed, the Canadian Debtor Sellers will file notice with the CCAA Court (the "*Canadian Transaction Notice*") (i) seeking, among other things, the entry of an order of the CCAA Court that authorizes the sale of the Purchased Assets hereunder, and (ii) setting forth a hearing date that is not less than five days after the date on which the Canadian Transaction Notice is filed nor more than six Business Days after the date that is 30 days after the date on which this Agreement is signed. Promptly after the filing of the Canadian Transaction Notice, the US Debtor Sellers will file a notice with the US Bankruptcy Court (the "*US Transaction Notice*") identifying the sale of the Purchased Assets hereunder and setting forth, among other things, a hearing date on the next scheduled "Omnibus" hearing date in the

US Bankruptcy Proceedings that is not less than fourteen days after the date on which the US Transaction Notice is filed. The Canadian Transaction Notice and the US Transaction Notice shall be in form and substance reasonably satisfactory to Buyer and Sellers.

8.4.2 CCAA Court

8.4.2.1 CCAA Court Sale Order. The proposed order to be presented to the CCAA Court for approval (the "CCAA Court Sale Approval Order") will be in substantially the form attached as Exhibit L-1 and will contain provisions, among others, authorizing the sale of the Purchased Assets held by the Canadian Debtor Sellers, the entering into of the Interim Management Agreement by the Canadian Debtor Sellers and the other transactions contemplated by this Agreement to which any Canadian Debtor Seller is a party.

8.4.2.2 CCAA Court Hearing. The Canadian Debtor Sellers will promptly serve Buyer with a copy of the Canadian Transaction Notice and will add Buyer to the service list in order to ensure that Buyer is served with copies of any and all objections or other Bankruptcy Pleadings relating to the Canadian Transaction Notice promptly after the Canadian Debtor Sellers' receipt thereof. The Canadian Debtor Sellers will use commercially reasonable efforts to obtain the prompt entry of the CCAA Court Sale Approval Order.

8.4.3 US Bankruptcy Court

8.4.3.1. US Bankruptcy Court Sale Order. The proposed order to be presented to the US Bankruptcy Court for approval (the "US Bankruptcy Court Sale Approval Order") will be in substantially the form attached as Exhibit L-2 and will contain provisions, among others, authorizing the sale of the Purchased Assets held by the US Debtor Sellers, the entering into of the Interim Management Agreement by the US Debtor Sellers and the other transactions contemplated by this Agreement to which any US Debtor Seller is a party, and will provide that Buyer is a good faith purchaser.

8.4.3.2 US Bankruptcy Court Hearing. The US Debtor Sellers will promptly deliver to Buyer a copy of the US Transaction Notice and will provide Buyer with copies of any and all objections or other Bankruptcy Pleadings relating to the US Transaction Notice promptly after the US Debtor Sellers' receipt thereof. The US Debtor Sellers will use commercially reasonable efforts to obtain the prompt entry of the US Bankruptcy Court Sale Approval Order.

8.4.4 Sale Approval Orders

8.4.4.1 No Conflict with this Agreement. The Key Sellers covenant and agree that if the CCAA Court Sale Approval Order and the US Bankruptcy Court Sale Approval Orders (collectively, the "Sale Approval Orders") are entered, the terms of any plan or equivalent agreement, if any, governing the disposition of Sellers' assets and treatment of Sellers' obligations, submitted by Sellers to any of the Bankruptcy Courts for confirmation or approval shall not conflict with, supercede, abrogate, nullify, modify or restrict the terms of this Agreement, the Interim Management Agreement or the UK Interim Management Agreement and the rights of Buyer hereunder or thereunder, or in any way prevent or interfere with the consummation or performance of the transactions contemplated by this Agreement, the Interim

Management Agreement and the UK Interim Management Agreement including any transaction that is contemplated by or approved pursuant to the Sale Approval Orders.

8.4.4.2 Appeal. If the Sale Approval Orders or any other orders of the Bankruptcy Courts relating to this Agreement, the Interim Management Agreement or the UK Interim Management Agreement shall be appealed by any person or entity or petition for certiorari or motion for rehearing or reargument shall be filed with respect thereto, the Key Sellers agree to take all steps as may be reasonable and appropriate to defend against such appeal, petition or motion and Buyer agrees to cooperate in such efforts and each party hereto agrees to use its reasonable efforts to obtain an expedited resolution of such appeal; provided, however, that nothing herein shall preclude the parties hereto from consummating the transactions contemplated herein if the Sale Approval Orders shall have been entered and have not been stayed and Buyer, in its sole discretion, waives in writing the requirement that each of the Sale Approval Orders be a Final Order.

8.5 Interim Management Agreement. Unless this Agreement has been terminated and the transactions contemplated under this Agreement have been abandoned pursuant to Article XI, Buyer and Sellers (other than the UK Sellers) and any Newcos (other than the UK Newco), as applicable, will enter into the Interim Management Agreement and the appointment of the Manager pursuant to the UK Interim Management Agreement will become effective on the fourth Business Day following the fulfillment or, if permissible, waiver of the conditions set forth in Article IX (other than those conditions set forth in Article IX that are to be fulfilled on the LMA Date).

8.6 Objections to Transaction. Buyer will use its reasonable efforts to assist Sellers with responding and providing evidence with respect to any and all objections or challenges to the transactions contemplated hereby relating to Buyer.

8.7 Public Announcements. The Sellers and Buyer will consult with the other before issuing (or, in the case of the Key Sellers, permitting the Other Sellers to issue), and provide the other the opportunity to review and comment upon, any press release or other public statements with respect to the transactions contemplated hereby and will not issue any such press release or make any such public statement without the other party's prior written consent, except that a party hereto may make such disclosures as are required by Law or by any Bankruptcy Court or to obtain any consent or approval required to satisfy a condition set forth in this Agreement, but only after disclosing to each of the other parties hereto the basis for concluding that such disclosure is so required and the contents of such disclosure. Upon execution of this Agreement, the Key Sellers and Buyer will issue a press release substantially in the form of Exhibit M.

8.8 Employees.

8.8.1 Collective Agreement. Buyer will become the successor employer under the Collective Agreements and will be bound by and comply with the terms of the Collective Agreements effective as of the Closing.

8.8.2 Offer of Employment. Prior to the Closing Date, Buyer shall, or shall cause an Affiliate of Buyer to make an offer of employment to at least 95% of all Employees

(excluding UK Employees) who are not Union Employees employed by Sellers primarily in connection with the Core Business and who are actively employed as of the Closing or who have rights of employment on return from any vacation, leave or other absence, in each case, that provides an aggregate compensation package containing compensation (excluding any (i) retention or restructuring bonuses and (ii) compensation provided by BCE or its Affiliates (other than the Sellers or their subsidiaries)) of substantially equivalent value to that received by each such employee from the Sellers on the date hereof (based on the total salary, bonus, perk allowance and retirement matching contributions received by such employee from Sellers and their subsidiaries immediately prior to the date hereof, but not necessarily including all of the foregoing categories of compensation or matching the amount of such employee's pre-Closing compensation in any such category). Buyer shall identify such employees by delivery to Telelobe of a Schedule setting forth the names of such employees (Schedule 8.8.2) not later than 90 days after the IMA Date. Buyer will not make any offers of employment before such delivery of Schedule 8.8.2. The employees of Sellers listed on Schedule 8.8.2 who accept an offer of employment from Buyer or an Affiliate of Buyer and the Union Employees are herein referred to collectively as the "Transferred Employees." Employment of the Transferred Employees by Buyer or an Affiliate of Buyer will commence as of the Closing. For the avoidance of doubt, nothing contained in this Agreement shall alter the at-will employment status of any employee of Sellers or any Transferred Employee in the United States.

8.8.3 WARN Act. After the IMA Date, Buyer will not take any action that could cause any Seller or any Affiliate thereof to incur any liability under the WARN Act or any similar state law.

8.8.4 Termination of Employees. If the employment of any Transferred Employee or UK Employee is terminated by Buyer or an Affiliate of Buyer within one year from the Closing Date, Buyer (or its Affiliate) shall provide severance benefits to such Transferred Employee in an amount equal to the severance benefits that would have been offered by the applicable Seller had the Transferred Employee or UK Employee not been hired by Buyer (or its Affiliate) or the UK Employee had been terminated immediately prior to the Closing Date.

8.8.5 Indemnity. The Key Sellers shall fully indemnify the Buyer, its Affiliates and each Newco against:

(a) all liabilities, obligations, costs, claims and demands arising from or in respect of any of the Former UK Employees other than such liabilities, obligations, costs, claims and demands arising as a direct result of any act or omission of the Buyer in relation to the Former UK Employees after the IMA Date;

(b) all liabilities, obligations, costs, claims and demands arising from or in respect of any of the UK Employees on or before the Closing Date other than such liabilities, obligations, costs, claims and demands arising as a direct result of any act or omission of the Buyer in relation to the UK Employees after the IMA Date;

(c) all liabilities, obligations, costs, claims and demands arising from or in respect of any failure by any Seller and/or the Buyer to comply with regulation 10 and 10A of the Transfer Regulations in relation to the I.K. Employees and/or the Former UK Employees, and

(d) all liabilities (whether present or future, actual, accrued or contingent), obligations, costs, claims and demands arising from or in respect of any person who was at any time an employee of the HK Seller which relates or is referable to a period or periods of employment up to close of business on the TMA Date;

in each case other than with respect to any Business Expenses (as defined in the Interim Management Agreement and UK Interim Management Agreement), for any period during which the Interim Management and the UK Interim Management Agreement are in effect other than Assumed Liabilities (except to the extent relating to such Liabilities arising from acts or omissions of the Sellers prior to the Closing in connection with Former UK Employees and which Liabilities are not included in Net Current Assets).

8.9 Employment and Employee Benefit Matters.

8.9.1 Termination of Coverage. Effective as of the Closing Date, the Transferred Employees will cease to participate actively in, accrue benefits under, or be covered by, the Company Plans (other than the Canadian Pension Plans (if assumed by Buyer)) and will thereafter participate actively in, accrue benefits under, or be covered by, plans established by Buyer or its Affiliates.

8.9.2 Retention of Employee Benefits Liabilities. Notwithstanding any other provision of this Agreement, on and after the Closing Date, Sellers and their Affiliates shall retain sponsorship of all US Company Plans and of all Canadian Company Plans (other than the Canadian Pension Plans (if assumed by Buyer)), and shall retain all liabilities under such US Company Plans and Canadian Company Plans (other than the Canadian Pension Plans (if assumed by Buyer)), and Buyer shall not assume any liabilities arising under or in connection with any US Company Plan, any other "employee benefit plan" (as such term is defined in Section 3(3) of ERISA) at any time maintained by any Seller or any ERISA Affiliate, or any Canadian Company Plan (other than the Canadian Pension Plans (if assumed by Buyer)).

8.9.3 Credit for Service with Seller. Subject to applicable Laws, if Transferred Employees are included in any benefit plan or program of Buyer or its Affiliates following the Closing Date, the Transferred Employees will receive credit for service prior to the Closing Date with any Seller or any Affiliate thereof under such Buyer benefit plan or program to the same extent such service was counted under analogous Company Plans for purposes of eligibility and vesting (but not for the purpose of benefit accrual) solely to the extent that such service credit does not result in any duplication of benefits. If Transferred Employees are included in any medical, dental or health plan of Buyer or its Affiliates, any such plan will not include preexisting condition exclusions, except to the extent such exclusions were applicable to the Transferred Employee under an analogous Company Plan on the day prior to the Closing Date, and such medical, dental or health plan of Buyer or its Affiliates will provide credit for any

deductibles and co-payments applied or made with respect to each Transferred Employee under an analogous Company Plan, but only with respect to the plan year in which the Closing occurs.

8.9.4 Other Employee Liabilities. Buyer shall have the obligation to provide COBRA health continuation coverage to all Transferred Employees (and related qualified beneficiaries) who become eligible for COBRA coverage after the Closing Date. Sellers and their Affiliates shall have the obligation to provide COBRA health continuation coverage to all employees of Sellers (and related qualified beneficiaries) who become eligible for COBRA coverage on or prior to the Closing Date. Sellers shall continue to maintain, until December 31, 2003, benefit plans which provide health and welfare benefits to provide COBRA benefits to employees and/or former employees of the Sellers who are not Transferred Employees for the duration of the COBRA coverage applicable to each employee or former employee. In the event that the Sellers do not maintain such health and welfare benefit plans and the Buyer assumes such COBRA liability under applicable Laws, the Sellers shall indemnify, defend and hold harmless the Buyers, its Affiliates and each Newco with respect to such COBRA liability.

8.10 Tax Returns, Assistance and Records. Each Key Seller and Buyer will or, in the case of the Key Sellers, will cause each Other Seller to (a) provide the other with such assistance as may reasonably be requested by any of them in connection with the preparation of any Tax Return, audit or other examination by any Taxing authority or judicial or administrative proceedings relating to liability for Taxes, (b) retain and provide the other with any records or other information that may be relevant to such Tax Return, audit or examination, proceeding or determination, and (c) each provide the other with any final determination of any such audit or examination, proceeding or determination that affects any amount required to be shown on any Tax Return of the other for any period. Without limiting the generality of the foregoing, the Key Sellers and Buyer will and, in the case of the Key Sellers will cause the Other Sellers to, retain until the applicable statutes of limitations (including any extensions) have expired copies of all records or information that may be relevant to Tax Returns filed by the other Party for all tax periods or portions thereof ending before or including the Closing Date.

8.11 Tax Matters.

8.11.1 Subject to Section 13.4 (with respect to the right to claim refunds or credits for Transfer Taxes), without the prior written consent of Buyer, no Seller or Newco nor any subsidiary of any Seller or Newco shall make or change any Tax election with respect to any Newco, adopt or change any method of Tax accounting with respect to any Newco, file any Tax Return for any Newco, enter into any closing agreement for any Newco, settle any Newco Tax claim or assessment, surrender any right to claim a Newco Tax refund or consent to any extension or waiver of the limitation period applicable to any Newco Tax claim or assessment. Each Seller shall also make or cause the relevant Newco to make any lawful Tax election for any Newco as requested by Buyer, except that (a) a UK Seller shall not be obligated to make any Tax election in respect of its own or any member of its tax group's (other than the relevant Newco) tax affairs that could adversely affect such tax affairs (unless required by law) and (b) any Newco formed by a US Debtor Seller shall not be required to file an election to be treated as an association for U.S. federal income tax purposes. If any Seller or any Newco is required by law to make an election with respect to a particular Newco, the Key Sellers shall deliver a written

notice to Buyer that explains such election. No later than five Business Days after Buyer receives such notice, Buyer shall instruct Key Sellers what action to take with respect to such election, provided that if Buyer does not so instruct, then Key Sellers may decide what action to take with respect to such election. If directed by Buyer, the Canadian Debtor Sellers organized under the laws of Canada or any province thereof shall join with Buyer or the relevant Newco, as appropriate, in executing and filing an election under section 22 of the ITA and any analogous provincial legislation in respect of any accounts receivable included in the Purchased Assets.

8.11.2 On or prior to the Closing, each Canadian Debtor Seller organized under the laws of Canada or any province thereof will use its reasonable best efforts to deliver to Buyer a certificate in the name of such Canadian Debtor Seller pursuant to Section 6 of the Retail Sales Tax Act (Ontario) and a similar certificate under the equivalent provisions of any other provincial sales tax legislation, if applicable.

8.11.3 Without prejudice to the rights of Buyer pursuant to Section 8.11.4, Sellers may procure that UK Newco will, and after the IMA Date, if requested by TIUK, Buyer agrees to procure that UK Newco will, so far as permitted by law, and within any relevant time limit, enter into a valid election (or valid elections), pursuant to section 179A of the Taxation of Chargeable Gains Act 1992 (the "TCGA 1992") so that the whole of any chargeable gain or allowable loss relating to the transfer of assets by TIUK to UK Newco under the Hive Down Agreement accruing to UK Newco by virtue of section 179 TCGA 1992 upon UK Newco ceasing to be a member of the Telelobe Group is treated as accruing to TIUK or such member or members of the Telelobe Group as TIUK shall nominate. For the purpose of this Section 8.11.3, Telelobe Group means TIUK and any other company or companies (other than UK Newco) which are, on the date of Closing, treated as members of the same group for UK capital gains tax purposes.

8.11.4 The Key Sellers shall indemnify Buyer and its Affiliates with respect to any liability for Taxes (other than Incremental Taxes and other Taxes, if any, payable by Buyer pursuant to Section 2.1.1, Section 2.1.5.2 or Section 2.1.5.3) of any Newco arising as a result of or in connection with the Migration Transactions or the transfer to the Newco of any assets under the Hive Down Agreement or the purchase of that Newco's Equity by the Buyer (or an Affiliate) or any value added tax payable on the Management Fee other than (in all cases) in respect of value added tax which the UK Newco is or will be able to recover whether by way of credit or repayment (or would be able to recover whether by way of credit or repayment assuming that all relevant claims and returns were made). Any indemnification under this Section 8.11.4 shall be treated as an adjustment to the Final Purchase Price to the extent permitted under applicable law.

8.11.5 Buyer covenants that, for a period of 30 days after the Closing Date, (i) neither Buyer nor any of its permitted assigns that purchase any Purchased Assets or any Newco's Equity or Equity Interests in an Acquired Entity nor any Newco or Acquired Entity will become persons affiliated with any entity listed on Schedule 8.11.5 for purposes of the ITA and (ii) Buyer will not and will not permit any such permitted assign or Newco or Acquired Entity to transfer any Purchased Assets or any Newco's Equity or Equity Interests in a Acquired Entity to any person or persons listed on Schedule 8.11.5, which will be delivered to Buyer no later than the earlier of (a) December 31, 2002 (or thereafter, but only to the extent necessary to reflect

formations, acquisitions or divestitures of entities by BCE or its subsidiaries) and (v) the Closing Date

8.11.6 After the date of this Agreement, if any Seller becomes aware of any information that would have rendered any of the representations made in Section 6.16 (including any information disclosed on Schedule 6.16) inaccurate in any material respect had such representation been re-made as of any date which occurs on or prior to the Closing Date (in each case, without taking into account any language in Section 6.16 that limits certain representations to the date of this Agreement), then the Key Seller shall convey such information to Buyer as soon as reasonably possible.

8.11.7 If the Key Sellers determine that income taxes are due and payable on the amount received in respect of the Core Business by Sellers or any Newco during the term of the Interim Management Agreement or UK Interim Management Agreement (excluding, for purposes of this Section 8.11.7, any portion of such amount which exceeds an amount equal to the sum of the Reduction Amount and the Management Fees), taking into account all net operating losses and any other deductions which are available, then, no later than 20 calendar days before the due date (with extensions) for the Tax Return with respect to such income taxes, the Key Sellers shall deliver to Buyer a written notice indicating such determination and stating a reasonable basis for such determination (collectively, the "Tax Notice"). If Buyer and Key Sellers are unable to agree on the amount of such income taxes to be paid within 5 calendar days after delivery of the Tax Notice, then the dispute shall be resolved by submission to the Accountants for a determination of the amount of such income taxes to be paid within 10 calendar days (the "Final Determination"). Within 5 calendar days after the Final Determination has been received (or within 15 calendar days after the Tax Notice has been delivered if Buyer and the Key Sellers are able to agree on the amount of such income taxes without the Accountants), Buyer shall pay to the Key Sellers an amount equal to the income taxes due and payable in accordance with such Final Determination (or as agreed under this Section 8.11.7, as appropriate). One half of such payment shall be paid as an adjustment to the Final Purchase Price to the extent permitted under applicable Law. The balance of such payment shall be paid as a return of overpaid Management Fees under the Interim Management Agreement or the UK Interim Management Agreement, as the case may be.

8.11.8 On or prior to the Closing, the Key Sellers shall cause any and all obligations or liabilities of any Newco or any Acquired Entity under any Tax sharing agreement to terminate, at the Key Sellers' cost and expense. The Key Sellers shall indemnify UK Newco, Buyer and its Affiliates with respect to any liability for Taxes arising as a result of or in connection with the exercise of any stock option or similar instrument issued to a UK Employee by BCE or with respect to the sale of the stock of BCE by a UK Employee.

8.12 Affirmative Covenants of the Sellers

8.12.1 Except as otherwise expressly provided herein or as expressly consented to in writing by Buyer, prior to the IMA Date (other than the execution of the UK Hive Down Agreement), the Key Sellers shall, and shall cause the Other Sellers and UK Newco to, conduct the Core Business only in the ordinary course of business and consistent with past

practice or with business plans disclosed to Buyer in writing prior to the execution of this Agreement. Without limiting the generality of the foregoing, prior to the IMA Date, except as set forth in the Employee Letter, (a) each Key Seller shall, and shall cause the Other Sellers to, use reasonable efforts to (i) preserve intact its business organization and goodwill and use reasonable efforts to keep available the services of its Employees and maintain satisfactory relationships with suppliers, customers, equipment vendors and others having business relationships with the Core Business; (ii) maintain the Purchased Assets in substantially the same condition and repair as of the date hereof (normal wear and tear excepted); and (iii) maintain in effect all material Permits and comply with all material requirements of Law applicable to the Core Business; and (b) each Key Seller shall and shall cause the Other Sellers to make capital expenditures with respect to the Core Business substantially in accordance with the capital expenditure budgets set forth on Schedule 8.12.1B.

8.12.2 From time to time after the Closing, as and when requested by Buyer, the Key Sellers shall take, and shall cause the Other Sellers to take, all further actions and provide to Buyer all such cooperation and assistance (including the execution and delivery of any and all affidavits, authorizations, declarations, oaths, samples, exhibits, specimens, assignments, powers of attorney or other documentation and the request for further order of the Bankruptcy Courts) as Buyer may reasonably request to evidence, effectuate and make effective the transactions contemplated hereby (including taking all further actions and providing to Buyer all such cooperation and assistance (including the execution and delivery of any and all affidavits, authorizations, declarations, oaths, samples, exhibits, specimens, assignments, powers of attorney or other documentation) as Buyer may reasonably request to evidence, effectuate, maintain and secure the Company Intellectual Property).

8.12.3 The Key Sellers will, and will cause the Other Sellers and each other subsidiary of Telelobe to comply in all material respects with the terms of the debtor in possession financing from the DIP Lender established in accordance with the CCAA Proceedings or any successor lender thereunder, except to the extent that failure to do so will not affect the Core Business, the Purchased Assets or the ability of the Sellers to perform their obligations under this Agreement, the Interim Management Agreement or the UK Interim Management Agreement.

8.13 Negative Covenants of the Sellers

8.13.1 Except as set forth in the Employee Letter or as otherwise expressly provided herein or as expressly consented to in writing by Buyer (with respect to clause (i) below not to be unreasonably withheld), prior to the Closing Date, each Key Seller will not, and will cause each Other Seller and UK Newco not to, (i) hire any employee in connection with the Core Business or, except as required herein or in accordance with policies, practices or agreements in effect on the date hereof and disclosed to Buyer, enter into or amend any employment, consulting or severance agreement with, or grant any severance pay to, any Employee or increase the compensation of any Employee or enter into a new Collective Agreement other than a Collective Agreement that contains annual increases in wages in the ordinary course of business consistent with the past practice of the applicable Seller not in excess of 3% of wages per annum and contains no other grant of any increase in salary or bonus, severance, profit sharing,

retirement income, deferred compensation, insurance or other compensation or benefits other than as may be required by applicable Law; (ii) enter into, establish, amend, terminate, broaden eligibility for, or increase the benefits provided by, or (except as required by the express terms thereof) make any contribution to any employment agreement or any employee pension benefit plan or any employee welfare benefit plan which covers Employees (with respect to the period from the date hereof to the IMA Date) or Transferred Employees (with respect to the period from the IMA Date to the Closing) except to the extent required by applicable Law, the plan or any insurance carrier providing benefits under an existing plan; (iii) sell, lease, license or otherwise dispose of any interest in any of the Purchased Assets, other than dispositions of immaterial assets in the ordinary course of business consistent with past practice, or (other than pursuant to the Debenture) permit, allow or suffer any of the Purchased Assets to be subjected to any Lien, other than Permitted Liens and Liens granted to the DIP Lender; (iv) other than in the ordinary course of business, terminate, modify or waive any right under, in any material respect, Contract or commitment (other than a Rejected Contract) or any Permit or other authorization relating to the Core Business, (v) enter into any new material Contract or commitment, except as contemplated by the last sentence of the definition of Cure Savings relating to the Core Business outside of the ordinary course of business; (vi) assume any Contract under the applicable Insolvency Proceedings other than a Contract listed on the list of Contracts that will constitute the Contracts to be Purchased Assets as of the Closing Date as contemplated by Section 4.4.4; (vii) except in accordance with the procedure set forth in Section 4.4.4, reject any Contract other than the Contracts set forth on Schedule 8.13.1, or (viii) terminate, modify or amend the Hive Down Agreement, the Share Sale Agreement or the Debenture.

8.13.2 Notwithstanding the foregoing, Key Sellers will not be deemed to have breached the covenants set forth in Section 8.13 to the extent that such breach arises out of the act or omission of Buyer under the Interim Management Agreement or the UK Interim Management Agreement.

8.14 Bonus Plans. On the IMA Date, Sellers will pay to the participants in the bonus plans listed on Schedule 8.14 (the "Bonus Plans") an amount equal to the amounts accrued in the ordinary course pursuant to the Baseline Financial Statement Methodology for payments under such Bonus Plans through the IMA Date. Subject to the requirements of any Collective Agreement, employment agreement or applicable Law, after the IMA Date, Buyer may cause Sellers to amend or terminate any of the Bonus Plans in its sole discretion and Buyer will pay, as a Business Expense, all costs associated with the Bonus Plans, as so amended or terminated after the IMA Date, and with respect to such amendment or termination.

8.15 Migration Transactions. The Key Sellers will cause the Migration Transactions to (i) be completed as promptly as practicable following the date hereof and in any event by the Closing Date and (ii) be completed in a manner that would not, individually or in the aggregate, have a Material Adverse Effect.

8.16 Investment Canada Act. Buyer will file a duly completed notification under the Investment Canada Act within 30 days after Closing and provide a true copy thereof to the Key Sellers or, should the transactions contemplated hereby be reviewable under the Investment Canada Act, will promptly take all necessary steps to seek any required approvals thereunder,

including providing such plans for the Canadian portion of the Core Business and undertakings as may be required by the Minister responsible for the enforcement of that Act to satisfy such Minister that the transactions contemplated herein are likely to be of net benefit to Canada.

8.17 Canadian Transfer Price Allocation. Respecting Owned Real Property in Canada, the relevant transfer documents will reflect a transfer price determined in accordance with fair market value.

8.18 Newco Good Standing. At Closing, the Key Sellers will cause each Newco to be an entity duly incorporated, created, formed or organized and validly existing and, with respect to the Newcos organized under the laws of any state of the United States, in good standing under the laws of the jurisdiction of its creation, formation or organization.

8.19 Bar Date. As soon as possible after the date of this Agreement, the Key Sellers will file a motion for a Bar Date for claims under the CCAA Proceedings and US Bankruptcy Proceedings to set such bar date at a date that is the earliest permissible date under the applicable Bankruptcy Laws.

8.20 Reserved.

8.21 Merger Consents. Each of the Key Sellers and Buyer shall promptly advise the other Party if it learns of any merger consent that may be required of any Governmental Entity pursuant to Section 9.2.1, 10.2.4(d) or 10.3.8(d) other than those consents specifically identified in such Sections.

8.22 UK Contract Consents. The Key Sellers will cause the UK Sellers to use their commercially reasonable efforts to obtain any consents required to assign each of the Contracts listed on Schedule 6.6.4.

8.23 No Solicitation of Transactions. The transactions contemplated by this Agreement are intended to be exclusive to the Parties, and the Key Sellers will not, directly or indirectly, and will cause the Other Sellers and their and the Other Sellers' officers, directors, employees, accountants, consultants, legal counsel, financial advisors, agents and other representatives not to solicit the making of any proposal or offer that constitutes, or may reasonably be expected to lead to, any Competing Transaction, enter into or maintain or continue discussions or negotiate with any Person in furtherance of a Competing Transaction, or furnish nonpublic information for that purpose.

8.24 Cash Management. From the date hereof until the IMA Date, the Parties will work together in good faith to develop appropriate cash management arrangements pending the Closing to facilitate the meeting of the cash requirements of each of the Sellers and Newcos from the IMA Date to the Closing.

ARTICLE IX

CONDITIONS TO INTERIM MANAGEMENT AGREEMENT

9.1 Conditions to the Obligations of Each Party. The obligations of Buyer and Sellers to enter into the Interim Management Agreement and the effectiveness of the appointment of the Manager under the UK Interim Management Agreement are subject to the satisfaction of the following conditions:

9.2 No Injunction. There will not have been entered a preliminary or permanent injunction, temporary restraining order or other judicial or administrative order or enforcement order or revocation order or decree of any Bankruptcy Court or any other Court of competent jurisdiction or relevant Governmental Entity, the effect of which prohibits the entering into of the Interim Management Agreement or the UK Interim Management Agreement.

9.2.1 Waiting Periods. The expiration or termination of any applicable waiting period in relation to the consents and clearances referred to in Sections 10.2.4(a), (b), (d), (c) and (f) and 10.5.4(a), (b), (d), (c) and (f)

9.2.2 Material Contract Consents. Any Consents listed on Schedule 9.2.2 under Material Contracts (determined without giving effect to Section 2.2) will have been obtained or the appropriate Bankruptcy Court will have authorized the assignment of such Material Contracts notwithstanding any anti-assignment, change of control or insolvency default provision contained therein.

9.2.3 Court Approval. Any required order of the US and CCAA Bankruptcy Courts approving the terms of and payments under the Interim Management Agreement will have been obtained.

9.3 Conditions to the Obligations of Sellers. The obligation of Sellers to enter into the Interim Management Agreement and the UK Interim Management Agreement (as applicable)